

Message Text

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ACTION EB-08

INFO OCT-01 EUR-12 EA-10 NEA-11 IO-13 ISO-00 L-03
FRB-03 OMB-01 ITC-01 SP-02 ICA-11 AGRE-00 AID-05
CIAE-00 COME-00 INR-10 LAB-04 NSAE-00 OIC-02
SIL-01 STR-07 TRSE-00 CEA-01 SS-15 AF-10 ARA-10
/141 W

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R 011031Z JUN 78
FM USMISSION GENEVA
TO SECSTATE WASHDC 0281
INFO AMEMBASSY BANGKOK
AMEMBASSY BONN
AMEMBASSY BRUSSELS
AMEMBASSY DACCA
AMEMBASSY KATHMANDU
AMEMBASSY LONDON
AMEMBASSY NEW DELHI
AMEMBASSY ROME

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E.O. 11652: N/A
TAGS: UNCTAD, ETRD
SUBJECT: UNCTAD COMMODITIES: JUTE

REF: (A) STATE 131760; (B) LONDON 8250; (C) BONN 9473

1. INFORMAL DISCUSSIONS BETWEEN CHAIRMAN (MARTIN - UK),
UNCTAD SECRETARIAT STAFF (RAHMAN AND AKIYAMA) AND CONSUMERS
(PAKISTAN, INDONESIA, NIGERIA, USSR, POLAND, JAPAN AND USA)
WERE HELD MAY 24. SECRETARIAT CIRCULATED NEW, REVISED TEXT
OF STABILIZATION PROPOSAL (COPY SENT ADAIR BY AIR POUCH).
MAIN FEATURE OF PROPOSAL REMAINS REVOLVING FUND OF US \$51
MILLION WITH HALF PROVIDED BY CONSUMERS ON LOAN BASIS EN-
ABLING PRODUCERS TO PURCHASE UP TO 7.5 LAKH BALES OF RAW
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JUTE WHEN PRICE REACHES FLOOR OF \$347 PER TON. CONDITIONS
ON LOANS WOULD INCLUDE (1) STOCKS MUST BE OVER AND ABOVE
NORMAL PIPELINE, (2) STABILIZATION STOCKS COULD ONLY BE USED
FOR EXPORT AND (3) THESE STOCKS TO BE EXPORTED AT NO HIGHER
THAN CEILING PRICE OF \$403 PER TON. (PRICES ARE THOSE
SUGGESTED BY UNCTAD: /7.5 PER CENT AROUND \$375 PER TON,
SIGHT BASIS).

2. DEVELOPING COUNTRY CONSUMERS HAD NOT YET STUDIED SCHEME SUFFICIENTLY TO COMMENT ON DETAILS. QUESTIONS FOCUSED MAINLY ON FINANCING BURDEN TO DEVELOPING IMPORTERS AND LACK OF CONTROL OVER STOCKING ACTIVITIES WHICH CURRENT SCHEME LEAVES TO PRODUCER-COUNTRY AUTHORITIES. UNCTAD SECRETARIAT HAD ALREADY DISCUSSED POSSIBLE USE OF IMF BUFFER STOCK FACILITY WITH LOCAL IMF REPRESENTATIVE WHO OPINED THAT SCHEME WOULD QUALIFY UNDER IMF RULES. THEREFORE SINCE MOST DEVELOPING RAW JUTE IMPORTERS ARE IN BALANCE OF PAYMENTS DIFFICULTIES THEY COULD QUALIFY FOR IMF FINANCING. IN SHORT, THE SCHEME WOULD BE FINANCED BY FUNDS FROM DEVELOPED COUNTRIES AND THE IMF. PAKISTAN REP WAS SKEPTICAL OF MANY OTHER FEATURES OF SCHEME WONDERING WHAT PAKISTAN STOOD TO GAIN BUT FELT PAKISTAN MIGHT BE RECEPTIVE IF IRON-CLAD GUARANTEES OF IMF FINANCING WERE GIVEN. ALL THREE LDC REPS ARGUED THAT LOANS TO PRODUCER STOCKING AUTHORITIES WOULD HAVE TO BE AT LEAST AT IMF INTEREST RATE SO THAT LDC IMPORTERS INCURRED NO NET COST DUE TO INTEREST RATE DIFFERENTIALS.

3. USSR AND POLAND SAID NOTHING BUT INDICATED PROPOSAL WOULD BE SENT TO CAPITALS FOR ANALYSIS. THEY HELD OUT PROMISE THEY WOULD RESPOND SUBSTANTIVELY AT NEXT INFORMAL SESSION. USSR INDICATED PRIVATELY IT WOULD BE DIFFICULT TO INCLUDE VOLUME OF JUTE IMPORTED UNDER BILATERAL TRADE LIMITED OFFICIAL USE

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ARRANGEMENT WITH BANGLADESH AS THIS COVERED A NUMBER OF COMMODITIES ON BOTH SIDES AND JUTE COULD NOT BE SEPARATED OUT FOR SPECIAL TREATMENT.

4. US AND JAPANESE REPS POSED MANY OF SAME QUESTIONS RAISED WHEN EC ORIGINALLY PUT FORTH ITS SCHEME TO "BEEF UP" FAO INDICATIVE PRICE SYSTEM. US REP RAISED POINTS IN REFTEL (A) PLUS A NUMBER OF OTHERS DIRECTED AT EFFICACY OF SCHEME AS A PRICE STABILIZATION--RATHER THAN AN AID--MECHANISM. AS A HYBRID BETWEEN THE PRESENT FAO SYSTEM AND A TRADITIONAL BUFFER STOCK ITS OPERATIVE ASPECTS WOULD HAVE TO BE TIGHTENED BEFORE IT COULD SERVE TO STABILIZE PRICES TO BENEFIT OF BOTH PRODUCERS AND CONSUMERS. US REP FOCUSED PARTICULARLY ON LACK OF DETAILS ON HOW BANGLADESH AUTHORITIES WOULD IMPLEMENT SUCH A SCHEME IN LIGHT OF DOMESTIC SUPPORT PROGRAM AND PROCESSING INTERESTS, BOTH PRIVATE AND GOVERNMENTAL. HE ALSO QUESTIONED MAIN SELLING POINT OF CHAIRMAN, NAMELY THAT THE PRIMARY DIFFERENCE FROM A BUFFER STOCK IS THAT ALL RISK IS BORNE BY PRODUCERS AND ALL LOANS ARE REPAYED AT END OF AGREEMENT SO CONSUMERS GAIN ASSURANCE OF 7.5 LAKH BALES AT CEILING AT VIRTUALLY NO COST. NEITHER CHAIRMAN NOR UNCTAD SECRETARIAT COULD EXPLAIN HOW STOCKS COULD BE AP-

PORTIONED AMONG PRIVATE INTERESTS WITHIN CONSUMING COUNTRIES
WHEN PRICE CEILING WAS REACHED SINCE THERE WOULD BE NO
TYPICAL BUFFER STOCK MANAGER OPERATING IN AN OPEN MARKET.

5. US REP ACKNOWLEDGED SOMEWHAT CONTRADICTION POSITION
STRESSING THAT FOCUS ON STABILIZATION SCHEME WAS MISDI-
RECTION OF EFFORTS AND RESOURCES WHILE AT SAME TIME ENGAGING
IN QUESTIONING EFFICACY OF NEW SCHEME. HE EMPHASIZED,
HOWEVER, THAT US CONTINUED TO BE PREPARED TO LOOK AT ANY
PROPOSAL AND QUESTIONING OF SCHEME WAS DIRECTED TO IMPROVING
UPON IT IF THERE WAS TO BE ANY HOPE OF US ACCEPTANCE IN
FUTURE. CHAIRMAN ONLY URGED THAT US ARGUMENTATION NOT BE
DIRECTED AT DISCOURAGING OTHERS FROM AGREEING WITH PROPOSAL.

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AGRE-00 AID-05 CIAE-00 COME-00 INR-10 IO-13
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6. RAHMAN OF UNCTAD WILL SPEND NEXT SEVERAL WEEKS DIS-
CUSSING SCHEME WITH PRODUCERS. WE ARE TOLD THAT UNCTAD WILL
ALSO PAY FOR CHAIRMAN TO ACCOMPANY RAHMAN BY VIRTUE OF
PREPARATORY MEETING DECISION THAT CONSULTATIONS ON EC
PROPOSAL SHOULD BE "UNDER GUIDANCE OF THE CHAIRMAN." THESE
CONSULTATIONS WILL BE FOLLOWED BY VISITS TO MOSCOW, IS-
LAMABAD AND CAIRO. PROPOSAL WILL THEN BE REVISED AS NEC-

ESSARY AND DISCUSSED AGAIN WITH CONSUMERS IN GENEVA AT END OF JUNE.

7. AMBASSADOR KIBRIA OF BANGLADESH CALLED ON AMBASSADOR VANDEN HEUVEL ON MAY 31 TO PRESENT HIS VIEWS ON THE CURRENT STALEMATE OVER STABILIZATION, PRESUMABLY TO SEEK US SUPPORT FOR A STABILIZATION SCHEME. SCHEDULE DID NOT PERMIT THOR- LIMITED OFFICIAL USE

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OUGH AIRING OF VIEWS SO AMBASSADOR VANDEN HEUVEL SUGGESTED ANOTHER MEETING IN ABOUT TWO WEEKS. AMBASSADOR KIBRIA INDICATED LATER THAT HIS VIEWS ON LATEST VERSION OF SCHEME HAD BEEN SENT TO DACCA BUT HE EXPECTED NO RESPONSE UNTIL THINGS HAD SETTLED DOWN AFTER PRESIDENTIAL ELECTION. HE FELT GOB WOULD NOT BE ENTHUSIASTIC ABOUT SCHEME REQUIRING IT TO PUT UP \$25 MILLION ALTHOUGH HE MAY NOT HAVE TAKEN POTENTIAL USE OF IMF FACILITY INTO ACCOUNT.

8. MARTIN REPORTED THAT DISCUSSIONS IN BRUSSELS ON MAY 25 HAD GONE REASONABLY WELL. WHILE FRG WAS SOMEWHAT SKEPTICAL ABOUT THE NEW, BEEFED-UP VERSION OF THE EC PROPOSAL, MARTIN CONTENDED FRG SIMPLY HAD NEVER THOUGHT THROUGH DETAILS OF HOW A STRENGTHENED FAO INDICATIVE PRICE SYSTEM, WHICH FRG SUPPORTS, WOULD FUNCTION. ONCE THESE WERE EXPLAINED, HE FELT MANY OF FRG'S DOUBTS MAY HAVE BEEN ALLAYED. ONE OBSERVATION EMERGING FROM THE ROLE BEING PLAYED BY MARTIN IN THE EC, IN THE INFORMAL DISCUSSIONS AND IN VISITING PRODUCING COUNTRIES IS THAT THE CHAIRMAN HAS NOW BECOME THE MOST ACTIVE CHAMPION OF THE SCHEME, MAINLY BECAUSE UK DESPERATELY WANTS TO REACH AN AGREEMENT ON JUTE BY UNCTAD V. IMPARTIALITY MAY BE HARD TO COME BY. VANDEN HEUVEL

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